MANITOBA TELEPHONE SYSTEM

Annual Report 1984 85

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MANITOBA TELEPHONE SYSTEM
489 Empress St., Winnipeg, Manitoba

Since 1908

ANNUAL REPORT

for the fiscal year ended March 31, 1985

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Established in 1908, the Manitoba Telephone System is a Provincially-owned Crown Corporation providing high quality service and products to all Manitobans for over 75 years.

OUR COVER

depicts the MTS Provincial Service Control Centre located on Corydon Avenue in Winnipeg. Through computer-generated Telidon graphics, technicians like Don McNeill monitor the status and performance of MTS switching and transmission facilities province-wide. This capability enables MTS to avoid potential communications disruptions and provide high quality service to all Manitobans.

MANITOBA TELEPHONE SYSTEM

THE HONOURABLE AL MACKLING
Minister Responsible for
The Manitoba Telephone Act

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Traffic Manager

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Comptroller

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Corporate Information Systems Manager

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Operations Manager — Construction and Installation

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Personnel Manager

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Operating Officer MTX

E. M. (TED) SCOLES
General Regional Manager — Northern

F. H. (BERT) SUTER
General Commercial Manager

GLENN P. WILSON
Broadcast Services Manager

GENERAL MANAGER'S OFFICE

A. C. (AL) DeCAIGNY

BRENT H. LINTON

E. GARY PARKER

HIGHLIGHTS OF THE REPORT

EXPANSION OF SERVICES

- 20,220 main telephones were added to the network to total 487,440.
- long distance calls increased by 6.6 per cent to reach 78.4 million.
- five new digital switches were placed in service in MacGregor, Stonewall, Teulon, Virden and Woodlands.

CONSTRUCTION TO MEET DEMAND

- 1,754 kilometres of cable and wire buried.
- MTS began the engineering for an $11 million, 330-kilometre fibre optic system between Winnipeg and Brandon to meet the increasing demand for long distance calling capacity.

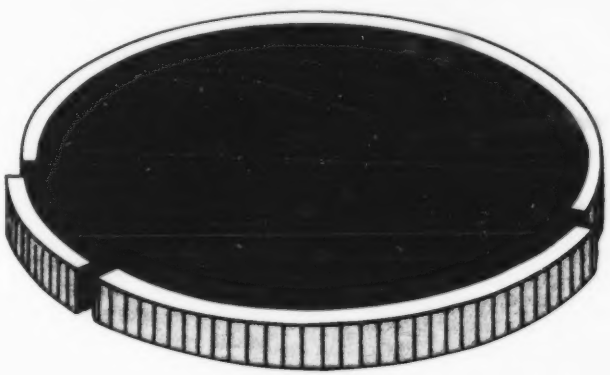
FINANCIAL	1985	1984
Capital Expenditures	**$ 112,721,000**	$ 91,400,000
Value of Telephone Plant	**1,132,271,000**	1,037,519,000
Operating Revenues	**326,330,000**	294,248,000
Operating Expenses	**265,443,000**	243,496,000
Other Revenues	**15,283,000**	15,509,000
Debt Charges	**60,978,000**	64,134,000
Net Revenue	**15,192,000**	2,127,000

OUTLOOK FOR THE COMING YEAR

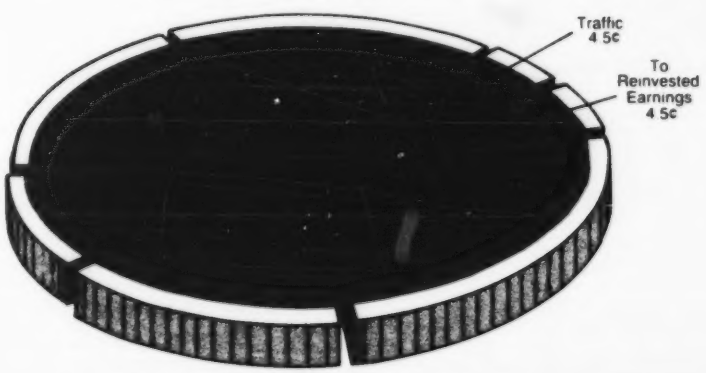
- forecast capital expenditures of $125 million.
- new digital central office switches to be installed in six locations.

THE MTS DOLLAR FOR THE YEAR ENDING MARCH 31, 1985

WHERE EACH DOLLAR CAME FROM:



WHERE EACH DOLLAR WENT:



CHAIRMAN'S REPORT

Myrna C. Phillips

The Manitoba Telephone System, as a Provincial Crown Corporation, is a unique resource belonging to the people of this Province.

In the fulfillment of its mandate to provide communications services to all parts of Manitoba at the lowest possible rates, MTS employs some 4,500 employees in 80 communities. During the 1984-85 fiscal year its Purchasing Department obtained goods and services worth in excess of $14,000,000 from Manitoba suppliers. These purchases are part of a deliberate policy by MTS to obtain products and services, where possible, from Manitoba businesses.

Over the years, MTS achievements in providing telephone service to virtually every part of Manitoba have been significant. In a Province characterized by one large urban centre, a number of medium to smaller-sized communities in the south and vast northern areas with a sparse population, MTS has spanned the distances with land lines —both copper and fibre optics—microwave and satellite facilities. It has brought Manitobans together through their ability to conduct business, socialize and otherwise communicate over great distances.

In order to establish this network, MTS has invested more than one billion dollars to build, maintain and extend its facilities in every part of the Province. Each year it is required to invest many more millions of dollars in capital projects to maintain its levels of service and to modernize to meet changing customer demands.

The rates MTS charges are established in conjunction with the Public Utilities Board of Manitoba, which regulates MTS in the provision of its monopoly telecommunications services. While MTS operates as a public utility, it is also expected to act in a business-like way, with due regard to operating efficiently and in a cost-effective manner.

In this regard, MTS has performed admirably over the years. While fulfilling its public service mandate of providing telephone service to all parts of the Province at low rates (rates that remain the lowest in Canada), MTS, by industry standards, operates efficiently, incorporating new techniques and new technology as they become available.

Manitobans, then, have an investment in the Manitoba Telephone System of which they can be proud. Their telephone service is as modern and efficient as any in the world. The people of MTS have overcome difficult geographic and demographic circumstances to extend services to the entire Province. And Manitobans are the beneficiaries of this successful enterprise, since they are the owners of MTS and all of its facilities. MTS has really become a Provincial resource that has contributed, and will continue to contribute, to the well-being of Manitobans.

Myrna C. Phillips

A/Chairman of the Board

GENERAL MANAGER'S REPORT

Gordon Holland

While challenged on many fronts during the 1984-85 year, the Manitoba Telephone System responded well to increased demands to conclude a successful year.

The demands on MTS during the year were formidable; aside from carrying out a large construction program, MTS processed the largest volume of work orders in its history, some 308,000 requests for installations, moves and changes in service.

During the year, MTS was also challenged by two special events requiring detailed planning and faultless execution in the delivery of telecommunications services. These two events were, of course, the visits to Manitoba of Pope John Paul II and Queen Elizabeth. MTS provided transmission facilities for broadcasters covering these events, along with voice services for emergency, security, health services and other purposes.

MTS achieved net revenues of $15,192,000 during 1984-85, revenues which will be re-invested in the operations of the System.

Total revenues grew by 10 per cent during the year to reach $341,613,000; total expenses reached $326,421,000, an increase of 6.1 per cent, compared to an increase of 12.7 per cent in the previous year.

MTS invested a record $112,721,000 in capital projects during 1984-85 to maintain and extend the capabilities of the Province's telecommunications network. Investments of this magnitude are required annually to meet the growing demands and changing needs of Manitobans.

MTS continued its progress towards the long-term goal of creating an all-digital telecommunications network in the Province. New digital telephone switches were placed in service in Virden, Stonewall, MacGregor, Woodlands and Teulon. As well, the planning was under way for the addition of six more digital switches in the coming year. This new technology, first introduced in Brandon in 1980, allows MTS much more flexibility in the design of network facilities. Digital switches can accommodate growth in the number of customers or new services more easily than conventional switching equipment, permitting MTS to be more cost-effective in future years, while providing its present customers with improved transmission quality and access to custom calling features.

By far the largest number of digital lines to be placed in service in the coming year will be in Winnipeg, as part of an accelerated program to have an all-digital network in the city by 1995. Some 50,000 customer lines will be changed to digital switching in the next two years in Winnipeg, providing additional capacity and reducing the traffic load of existing switches, as well as offering new calling features for MTS customers. The Winnipeg plan also calls for the replacement of older aerial cable facilities, coupled with an enhanced maintenance program for underground cable in the city. The third element in the program entails the exclusive use of fibre optic cable for large capacity trunks between the local switching offices in the City.

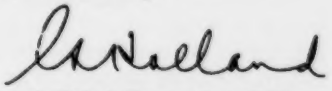
The MTS commitment to the use of fibre optic transmission technology was further demonstrated during the year with the announcement of a major long distance system to be completed by 1986. This system will replace an existing cross-Canada microwave network between Winnipeg and Brandon, while adding more capacity along the 330 kilometre route. The $11 million project will also meet the demand for increased intra-Manitoba long distance capacity between Winnipeg, Portage la Prairie, Minnedosa, Neepawa and Brandon.

During 1984-85, MTS introduced free calling between the communities of Camperville and Winnipegosis, at a cost of $180,000, as part of the System's $4.3 million Extended Area Service (EAS) program. This was the third pair of communities to obtain EAS. Criteria for selection include the size of the telephone exchange, the objective of providing basic services without having to call long distance and the high amount of calling to and from a nearby community. The 23-community program has been reviewed with the Union of Manitoba Municipalities to obtain the views of the Union when deciding priorities for the introduction of EAS.

A major event for MTS in 1984-85 was the opening of its new Business Centre in the System's Administration Building in Winnipeg. Aside from giving our business customers the opportunity to view and obtain experience with a variety of office telephone systems, the Business Centre allows customers to assess the potential of using telecommunications as the communications link for a broad range of office equipment. The Business Centre offers data terminals, word processing equipment and personal computers, most of which have communications functions. The modern business is recognizing the need to increase productivity through the proper distribution of information already contained in separate areas of its operation. In many cases, telecommunications provides the answer to gathering and making available information from a variety of sources.

MTS had a successful year in its efforts to market residential extension telephones. Although MTS had sustained losses in this area in the past few years because of changes which opened up this market to other suppliers, new offerings and aggressive promotion brought these losses to a standstill in the past year. More Manitobans are recognizing the benefits of leasing from MTS, including worry-free service and the ability to change the telephone when required.

In an exceptionally busy and successful year, MTS recognizes the efforts of its employees in meeting the growing needs of Manitobans. The continuing commitment of MTS staff to customer service is an enduring strength of MTS and a tribute to the traditions of service within the telecommunications industry.



General Manager and Chief Executive Officer

FINANCIAL

MTS net revenues for 1984-85 were $15,192,000 compared with $2,127,000 for the previous year. Revenues from all sources amounted to $341,613,000 an increase of 10 per cent over the previous year.

Increased demand raised 1984-85 long distance revenues by $14,220,000 over the 1983-84 amount to $185,332,000. The importance of long distance revenues to MTS is demonstrated by the fact that the 1984-85 long distance revenues account for 57 per cent of the System's total operating revenues. It is also important to note that 65 per cent of the System's total long distance revenues are derived from the provision of inter-provincial and international services undertaken in conjunction with other Telecom Canada member companies.

Local revenues, including approved tariff changes, increased by $13,973,000 to reach $118,323,000. Public Utility Board approved tariff changes were implemented July 17, 1984, which added revenues of approximately $5,500,000 for the fiscal year, while increased customer demand accounted for the remainder of the increased revenues. Miscellaneous revenues increased by $3,265,000 with a major portion coming from directory advertising revenues.

Changing technology and the retirement of equipment caused depreciation of telecommunications property to increase by $3,706,000 to a total of $90,462,000. Maintenance and operation of the network required the expenditure of $72,036,000 while the Commercial, Marketing, General and Administration costs amounted to $95,154,000. Total operating expenses increased 9 per cent to $265,443,000.

Debt charges were $60,978,000 for the year, down $3,156,000 from 1983-84, reflecting more favorable interest rates due to the use of short term borrowings and improved currency exchange rates which had a favorable effect on interest payments. These favorable exchange rates resulted in the amortization of unrealized foreign currency losses of $92,000; a decrease of $4,530,000 from the previous year.

New borrowing during the year consisted of $31,225,000 in short term notes. Long term debt retired during the year amounted to $31,025,000 with $4,800,000 of the repayment being provided by the Sinking Fund. Contributions to the Sinking Fund of $7,387,000 were made as required under the Manitoba Telephone Act. The Investment Fund balance increased a net $13,249,000 to a year end total of $45,430,000. Appropriations were made in the amounts of $14,685,000 for pension liability funding and $92,000 for 1984-85 foreign exchange amortization. The amount of $1,529,000 was withdrawn to cover foreign exchange loss on the redemption of debt issue 10J.

New telecommunications property added during the year amounted to $112,721,000, an increase of $21,321,000 over the previous year. Total property value as at March 31, 1985 was $1,132,271,000 and represents an average investment in Plant per main telephone of $2,320.

The System's investment in MTX Telecom Services Inc. as at March 31, 1985 was $8,056,000 which consisted of 60,001 common shares at a value of $1,500,000 and net operating advances of $6,556,000.

MTX Telecom Services Inc. is a wholly-owned subsidiary of MTS, incorporated under the Corporations Act of Manitoba, providing consulting and other services outside Manitoba.

MEETING CUSTOMER DEMAND

The rapid evolution of telecommunications technology coupled with new customer demands are some of the reasons MTS is able to report a very successful year through 1984-85. Technology is helping us to do our job better, in some cases at less cost, and the System is able to pass the benefits on to the customer by way of new products and one of the most reasonably priced telephone services in North America.

RESIDENCE SERVICES

The telephone has become such a fixture in the lives of Manitobans today, it could never again fall into the category of a luxury. And it's a fixture which receives more use every year. Whether it's keeping in touch with family across town, or making a business deal on the other side of the world, people are making full use of their telecommunications system. Some 1.6 billion local calls were placed during the year in review, an increase of 7.7 per cent over the previous year. Long distance calling, the greatest single revenue source for the System, rose as well — 78.4 million long distance calls were made, 6.6 per cent more than a year ago. Overseas calling continues to grow in popularity with some 400,000 calls originating from within the Province during the year. The United Kingdom is the most frequently called overseas destination, followed by West Germany, Hong Kong, the Philippines and Italy.

Manitobans continue to direct dial the vast majority of long distance calls — 87.8 per cent of all long distance calls were placed without the help of an operator.

MTS continues to upgrade long distance services throughout the Province, with 89.9 per cent of telephones now served by Automatic Number Identification or ANI. ANI equipment automatically records a caller's number when a long distance call is placed, reducing billing errors. ANI was added to some 24 sites during 1984-85, with another seven to be completed shortly thereafter. Direct Dialing Overseas (DDO) and Zero Plus (0+) dialing are available to 78.3 per cent of customers. DDO allows customers to dial their own overseas calls to most countries, while Zero Plus (0+) lets customers dial their own person-to-person, collect, calling card calls, calls billed to a third number and time and charges calls.

MTS' prime objective is to provide the best in service to its customers, and 1984-85 was an exceptional year for service. The System processed the largest volume of work orders in its history during the year in review, completing almost 308,000 requests for installations, moves and changes in service.

Exploring new uses for its network facilities, MTS launched a trial on behalf of Telecom Canada to test the viability of residential teleconference calling in September 1984. The new offering, the "Get Together Call", was designed to determine the potential market for such calls in the residential service area, among family members and friends. New, lower rates for the service, outside of business hours, encouraged people to try the Get Together Call.

During the year in review, MTS adopted a new way of responding to customers' inquiries at the operator level. Called Personalized Operator Service, the new program was brought into use in December and was an immediate success. The goal of the program was simply to personalize the conversations between operators and customers rather than tying operators down to a list of "acceptable" words and phrases.

Operators and customers alike have praised the new approach to service, saying it adds a personal touch.

In another move responding to the wants of today's customer, the System completed construction of a prototype Phone Store in St. Vital in November. The store offers the latest in telephone retailing including new displays. Changes to the Store's layout allow MTS staff to serve customers more quickly and efficiently.

In 1984-85 MTS introduced yet another service to take advantage of its network facilities. 900 service is a mass-calling system designed to allow the public, usually for 50 cents per call, to participate by phone in national or regional vote-in programs or to monitor special events such as the radio conversation of the shuttle astronauts with the Johnson Space Centre.

In January, 1985, MTS embarked on a pilot project in its Selkirk Business Office to test the development of its Customer Line and Service System, or CLASS. CLASS is an on-line, computer-based records system that will eventually allow MTS service representatives to provide customers with billing and other information faster and more completely. Presently, customer records are on paper, making updating and retrieval cumbersome. It is envisioned that CLASS will, for the most part, eliminate the massive amounts of paper used in keeping customer records.

While improving customer service, it is expected that the CLASS system will result in cost savings as well.

In rural Manitoba, MTS pushed ahead in its program to expand free-calling areas for 23 of the Province's smaller telephone exchanges. In March, 1985, MTS extended free calling between Camperville and Winnipegosis, the third pair of communities to receive the service under the current Extended Area Service (EAS) program. EAS is now operating in 120 of Manitoba's 234 exchanges. Criteria for inclusion in the current $4.3 million EAS program include the size of the telephone exchange, proximity to a potential EAS community, volume of calling between the two centres, and requests from the area. The program has been reviewed with the Union of Manitoba Municipalities to help MTS set priorities for EAS.

Individual line service continues to be popular in the Province as well, and MTS provided it to 545 multi-party subscribers who qualified for the service under MTS' density criteria. Total multi-party customers decreased by 349 through 1984-85, and MTS maintained remaining multi-party loadings at an average of 2.8 per line. As well, of Manitoba's 237 telephone offices outside Winnipeg, 183 or 77.5 per cent have been converted for TouchTone operation.

The year also saw a continuation of the successful marketing of MTS' Fire Reporting and Emergency Dispatch or FRED system. FRED is now in use in more than 20 Manitoba communities providing speedy emergency dispatch service. MTS, in conjunction with Provincial authorities, is working toward implementing FRED as a Province-wide emergency communications system much

Customers responded favourably, Jennifer Freeman agrees, when the Traffic Department introduced a program of friendly personalized service by the operators when answering customer calls.

in the way the 911 system works in Brandon and Winnipeg. The 24-hour availability of MTS operators, along with the network of towers throughout the Province, enables MTS to offer the FRED service in a comprehensive, co-ordinated manner. MTS developed the FRED system at the request of representatives of various groups concerned with emergency communications in the Province.

Another emergency service with far reaching scope is called FAST, an alarm monitoring system which uses existing phone lines. Now in use in 2,700 units of Winnipeg Regional Housing Corporation senior citizen housing, FAST is used as a medical alert system. The FAST technology is being marketed by a number of private alarm companies in the Province and has become a popular means of safeguarding the lives and property of many Manitobans.

MTS faced a number of challenges through 1984-85, but one of the most demanding was rebounding from the loss of revenue resulting from the opening of the extension telephone market in 1982. This change allowed Manitobans, for the first time, to obtain their residential extension telephones from suppliers other than MTS.

One of the System's successes last year was the introduction and marketing of new residential telephones, among them the Harmony phone with its distinctive warble instead of a ring. This model and others reversed losses which occurred in the residential market when other companies were allowed to sell extension phones.

The University of Manitoba continued to use teleconferencing to extend post-secondary courses to students in rural locations. A trial into teleconference education was undertaken last year by MTS, Brandon University and the University of Manitoba. It proved so successful that the University of Manitoba has now adopted teleconferencing as a regular part of its extension service, offering six programs to students in seven communities. Brandon University is also continuing its use of teleconferencing to extend its programs to Northern Manitoba.

In January, 1985, MTS introduced a new telephone bill intended to clarify billing information, making it more easily understood by customers. The new bill is printed by a laser printer and will save MTS more than $370,000 per year in paper, postage and processing costs.

BUSINESS SERVICES

Throughout the year in review MTS worked to deliver the most up-to-date products and services to business customers across the Province.

With that in mind, the System opened its new Business Centre in September. Located in MTS' head office in Winnipeg, the Business Centre caters to a wide variety of business needs and is designed as a display and sales area so customers can obtain hands-on experience with business communications systems, communicating word processors and personal computers. The establishment of such a centre recognizes the growing variety and specialization in office products and a demand from the business community for assistance in the selection and application of new office products.

The Business Centre allows customers to deal with one supplier to meet their end-to-end communications needs. Most data terminals, personal computers and even typewriters now can be tied into the communications networks, to transmit information to other terminals and other users. This sharing of information among terminals and users requires the ability to manage the information and the networks. The traditional telephone capabilities of switching and controlling messages is now being utilized in the office to manage the flow of information among many users.

The Business Centre includes a fully-automated videoconferencing facility which offers voice, voice and graphics or full videoconferencing services. It enables users to "meet" with their counterparts across Canada or around the world from the studio. The videoconference facility is geared to the medium and large business which would benefit from the significant savings a videoconference offers, compared to the cost of bringing a group of people together for a meeting in one location.

There were numerous business-related services initiated or expanded during the fiscal year, a number of them made possible through MTS' membership in Telecom Canada, a consortium of Canada's nine major phone companies plus Telesat Canada, the nation's satellite carrier.

To meet the continuing demand for data communications in Manitoba, MTS expanded its data networks during the year. The Dataroute network was extended to include Flin Flon, while five Manitoba centres became part of the Datapac network in 1984-85 including Portage la Prairie, Morden, Dauphin, Selkirk and Steinbach. Eight Manitoba communities are now Datapac serving areas allowing businesses access to modern and affordable data transmission services.

Through 1984-85, Manitoba businesses continued to turn to MTS for their mobile communication needs. As a result, MTS doubled the number of channels on the direct dial mobile telephone system serving Winnipeg and area and expanded the coverage of its public mobile telephone system by adding stations at Middlebro and Anola.

As well, a new Wide Area Paging Service transmitter was installed to serve the Gimli area bringing to 12 the number of communities covered by the service.

THE NETWORK: A BILLION DOLLAR INVESTMENT

To maintain a modern and efficient telecommunications system takes a huge investment of time and capital each year, and 1984-85 was no exception. Expansions to the network required MTS to spend $112,721,000 during the year in review. The total MTS investment in telecommunications facilities now stands at over $1 billion.

The MTS network spans the Province and includes all manner of telecommunications equipment and hardware

The System's first Business Centre opened on September 19 at 489 Empress St., Winnipeg to meet customers' special telecommunications needs.

including conventional copper as well as fibre optic cable, central office buildings and switching equipment, microwave and satellite facilities.

In 1984-85, MTS added some 1,443 kilometres of buried cable and another 311 km of buried wire. As well, MTS has a policy aimed at eliminating aerial wire in the Province and to that end 756 km of aerial wire were removed as were 5,779 telephone poles. As of March 1985, 91 per cent of the System's wire and cable was underground.

In Winnipeg, MTS began a major rehabilitation program to replace all lead sheathed cable serving the city. Such cable is subject to weather damage and its replacement will mean more reliable transmission and reduced maintenance costs.

Digital Switching

MTS' long term goal is an all digital network for Manitoba and the task is progressing as quickly as finances and resources allow. Operating in the same language as computers, digital switches handle the growing demand for computer communications with ease when compared to the systems they replace. Digital switches are also more flexible in that they can be expanded to handle new services or growth in the number of customers through software changes or minor additions, rather than demanding the major renovations of older generations of switches.

In 1984-85 digital switches were installed in five provincial locations: Virden, Stonewall, MacGregor, Woodlands and Teulon.

The planning continues on the task of gradually replacing all of the mechanical and electro-mechanical central office switching equipment in Manitoba with digital technology. Six such changeovers are scheduled for the coming year.

Fibre Optics

While digital technology is improving the switching capability of MTS, fibre optic cable is providing Manitobans with improved telecommunications transmission. During 1984-85, the System began the preliminary engineering necessary for the construction of an $11 million, 330-kilometre fibre optic system between Winnipeg and Brandon. That fibre optic line will replace an existing microwave network that carries cross-Canada and intra-Manitoba long distance traffic. As well, it will serve the expanding demand for calling capacity between Winnipeg, Portage la Prairie, Minnedosa, Neepawa and Brandon. The fibre optic system will contain 12 fibres capable of carrying more than 30,000 conversations at one time.

In addition to its excellent quality of long distance transmission, fibre optic cable offers highly accurate data transmission and the potential for television services.

Broadcast Services

As the common carrier for cable television service in the Province, MTS continued as a major player in the provision of expanded cable television service to Manitobans during the year in review.

In January, 1985, an agreement was reached between MTS and Greater Winnipeg Cablevision Limited to allow the introduction of Pay-TV to GWCL's subscribers east of the Red River in Winnipeg. The new pact ensured accessibility to the coaxial cable network for other potential users while providing expanded television services for GWCL's customers.

In a separate agreement, the two parties extended cable service to the Birds Hill area through the use of MTS coaxial cable facilities.

Early in 1985, MTS also signed an extension to the basic cable TV agreements with both Winnipeg cable operators. Winnipeg Videon Incorporated and GWCL signed 15-year extensions to the basic agreements first enacted in 1967, and covering the terms for use of the cable networks in Winnipeg.

In co-operation with Native Communication Inc. and the Nelson House Indian Band, the System implemented a pilot project to provide cable television service at Nelson House. The project included a program to train local personnel to repair, install and maintain cable TV and satellite facilities.

Other major highlights in the area of Broadcast Services through 1984-85 included:

—implementation of Pay TV and specialty service television programming in Thompson in co-operation with D & D Cablevision.

—implementation of a cross border satellite service for Reuters news agency to supply market information to 10 locations in downtown Winnipeg. Distribution in Winnipeg takes place over the MTS coaxial cable network used to carry cable television signals.

—agreement with the Manitoba Department of Health to provide an audio-visual network between the Winnipeg Health Sciences Centre and the Brandon Mental Health Centre. The service is expected to go into operation in 1985, utilizing the MTS Inter-City Broadband Network which currently brings American program signals to a number of cable television operators outside of Winnipeg.

The use of existing coaxial cable networks for a variety of special purposes is indicative of the advantages of the ownership of such facilities by a common carrier, which can make such capacity available to any potential user.

Dauphin Deputy Mayor Rick Zaplitny places the first test call over the new Fire Reporting Emergency Dispatch (FRED) system introduced in Dauphin February 18, 1985. At left is MTS General Regional Manager —Western, Doug Delgatty.

MTS EMPLOYEES: MEETING NEW DEMANDS

Once again, the efforts of MTS employees helped overcome numerous challenges over the year in review.

Responsible for the operation and maintenance of a $1 billion network, MTS employees require a broad and diverse range of skills in order to meet this demanding task. Because circumstances are changing rapidly in the telecommunications business, the job facing MTS personnel becomes ever more demanding.

To meet new challenges and changing technologies, MTS encourages staff training and education programs. As an example, Plant personnel training was up 11 per cent last year and reached 49,110 hours; training in the System's three Regions increased by nine per cent during 1984-85.

SPECIAL EVENTS

Events which occurred in September and October, 1984, respectively, offered interesting challenges for MTS personnel; those events were the visits to Manitoba by Pope John Paul II and then by Queen Elizabeth II. Both visits elicited world-wide attention and it was the job of MTS to ensure that communications in all forms went on without a hitch.

More than 150 MTS employees were involved in the planning and installation of a variety of telecommunications facilities for the Papal visit to ensure that the public safety and the security of the Pope were maintained. TV and radio links were installed for the media at CFB Whytewold, St. Vladimir-Olga Cathedral, St. Mary's Cathedral and the Birds Hill mass site itself. Planning for this singular event began in November of 1983 and culminated with the Papal mass on Sept. 16, 1984.

Similar planning and effort were required for the arrival of Her Majesty Queen Elizabeth II.

ADMINISTRATIVE

Roy McMillan and Joanne Swayze were appointed to the MTS Board on January 28, 1985. This was the first appointment of MTS employees to the nine-member Board and was designed to enhance communication and co-operation among the MTS Board, management and employees.

Dennis E. McCaffrey was appointed Corporate Information Systems Manager effective June 24, 1984.

In keeping with MTS' efforts to bring the System closer to the customers it serves, MTS managerial responsibility in Northern Manitoba was reorganized. On March 17, 1984, Dennis Early was appointed Area Manager for The Pas/Flin Flon and on April 30, 1984, Alvin Meakin was appointed Area Manager for Thompson.

ACKNOWLEDGEMENTS

The System gratefully acknowledges the support during the year by the Ministers responsible for the Manitoba Telephone Act: the Honourable Samuel Uskiw and, subsequently, the Honourable Al Mackling.

MTS also owes its appreciation to Saul Miller, who served as MTS Board Chairman from December, 1981 until his resignation on March 15, 1985.

The level and quality of service delivered to Manitobans depends greatly on the skill and dedication of the System's 4,500 employees. Their continued strong contributions are essential to the delivery of high quality telecommunications service and products in the Province. MTS gratefully acknowledges their significant role in the achievements of the past year.

The new Business Centre on Empress Street features a videoconferencing room. The modern facility enables participants to meet with their counterparts across Canada and the U.S.A. without leaving town.

FINANCIAL STATEMENTS

MANAGEMENT'S REPORT

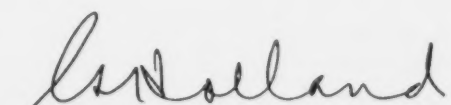
The integrity and objectivity of the financial statements and accompanying notes in the annual report are the responsibility of management.

To fulfill this responsibility, The Manitoba Telephone System maintains internal control systems to provide reasonable assurance that the books and records, from which the financial statements are derived, accurately reflect all transactions and that established policies and procedures are followed. The internal control systems are supported by regular reviews by internal auditors and by examination of the financial statements by Arthur Andersen & Co., independent chartered accountants.

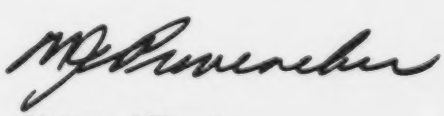
The responsibility of the Board of Commissioners for the statements is pursued principally through its Audit Committee, which meets periodically with management and the internal and external auditors, to review accounting controls, results of audits and accounting principles and practices.

The external auditors have full access to the Audit Committee both with and without management present. Their report, which provides an independent review of the system of internal controls and the compliance of the statements to generally accepted accounting principles, follows.

On behalf of management:



General Manager



Director of Finance

ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

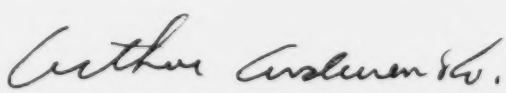
AUDITORS' REPORT

To the Board of Commissioners of

The Manitoba Telephone System

We have examined the balance sheets of THE MANITOBA TELEPHONE SYSTEM (a Manitoba corporation) as of March 31, 1985 and 1984 and the related statements of operations and reinvested earnings and changes in cash position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of The Manitoba Telephone System as of March 31, 1985 and 1984 and the results of its operations and changes in its cash position for the years then ended in accordance with the basis of accounting described in note 1(a) consistently applied during the periods.



Chartered Accountants

Winnipeg, Canada
October 25, 1985

THE MANITOBA TELEPHONE SYSTEM

BALANCE SHEETS — MARCH 31, 1985 AND 1984

ASSETS

	1985	1984 (Note 13)
	(in thousands of dollars)	
TELECOMMUNICATIONS PROPERTY		
Buildings, plant and equipment	$1,081,618	$997,150
Less accumulated depreciation	501,892	429,271
	579,726	567,879
Land	5,767	5,727
Materials and supplies, at cost	11,040	9,150
Plant under construction	33,846	25,492
	630,379	608,248
INVESTMENTS (notes 6 and 11)	9,055	4,089
INVESTMENT FUND (note 7)	45,430	32,181
CURRENT ASSETS		
Cash	536	—
Temporary cash investments	9,502	21,051
Accounts receivable	38,303	33,333
Prepayments	4,354	4,263
	52,695	58,647
DEFERRED CHARGES		
Unrealized foreign currency losses, less amortization	11,438	18,936
Unamortized long-term debt expenses	2,588	3,316
Preliminary engineering and miscellaneous	2,714	3,131
Deferred employee benefit, less amortization	2,909	3,325
	19,649	28,708
	$ 757,208	$731,873

Approved on behalf of the Board

Mrs. Myrne C. Phillips
A/Chairman

Commissioner

The accompanying notes are an integral part of these balance sheets.

THE MANITOBA TELEPHONE SYSTEM

BALANCE SHEETS — MARCH 31, 1985 AND 1984

LIABILITIES AND REINVESTED EARNINGS

	1985	1984 (Note 13)
	(in thousands of dollars)	
DEBT		
Long term debt (note 8)	$557,915	$597,862
Less sinking fund investments	49,332	46,745
	508,583	551,117
Notes payable	31,225	5,000
	539,808	556,117
REINVESTED EARNINGS	115,702	100,510
DEFERRED EMPLOYEE BENEFITS (note 10)	33,100	17,750
CURRENT LIABILITIES		
Outstanding cheques less cash in bank	—	5,345
Accounts payable and accrued liabilities	47,029	28,037
Advance billings and payments	3,309	2,926
Accrued interest	18,260	18,726
Mortgage payable, balance due within one year	—	2,462
	68,598	57,496
COMMITMENTS AND CONTINGENCIES (notes 9 and 11)		
	$757,208	$731,873

THE MANITOBA TELEPHONE SYSTEM

STATEMENTS OF OPERATIONS AND REINVESTED EARNINGS FOR THE YEARS ENDED MARCH 31, 1985 AND 1984

	1985	1984
	(in thousands of dollars)	
OPERATING REVENUES		
Long distance service	$185,332	$171,112
Local service	118,323	104,350
Miscellaneous (note 2)	24,103	20,838
Less uncollectible operating revenues	(1,428)	(2,052)
	326,330	294,248
OPERATING EXPENSES		
Maintenance	56,605	52,020
Depreciation	90,462	86,756
Traffic	15,431	14,752
Commercial and marketing	31,045	28,126
General and administration (note 10)	64,109	54,204
Operating taxes (note 3)	7,791	7,638
	265,443	243,496
NET OPERATING REVENUES	60,887	50,752
OTHER REVENUES (note 4)	15,283	15,509
NET REVENUES BEFORE DEBT CHARGES	76,170	66,261
DEBT CHARGES (note 5)	60,978	64,134
NET REVENUES FOR THE YEAR	15,192	2,127
REINVESTED EARNINGS, AT BEGINNING OF YEAR	100,510	98,383
REINVESTED EARNINGS, AT END OF YEAR	$115,702	$100,510

The accompanying notes are an integral part of these statements.

THE MANITOBA TELEPHONE SYSTEM

STATEMENTS OF CHANGES IN CASH POSITION FOR THE YEARS ENDED MARCH 31, 1985 AND 1984

	1985	1984 (Note 13)
	(in thousands of dollars)	
SOURCES OF CASH		
Operations		
Net income	$ 15,192	$ 2,127
Cash provided by changes in working capital (note 14)	13,848	6,990
Add: Depreciation and other items not requiring cash (net)	102,836	96,712
	131,876	105,829
Province of Manitoba advances	—	65,000
Notes payable	31,225	5,000
Investment fund	1,529	9,381
Total cash provided	164,630	185,210
APPLICATIONS OF CASH		
Repayment of bonds and advances	31,025	79,275
Less payment from sinking fund	4,800	8,515
	26,225	70,760
Construction program expenditures (net)	108,813	90,692
Contribution to sinking fund	7,387	7,504
Contribution to investment fund	14,778	11,830
Payments toward deferred employee benefit	667	1,241
Repayment of notes payable	5,000	4,800
Increase in investments	4,966	1,113
Repayment of mortgage payable	2,462	—
Total cash applied	170,298	187,940
CASH AND TEMPORARY CASH INVESTMENTS INCREASE/(DECREASE)	(5,668)	(2,730)
BALANCE, AT BEGINNING OF YEAR	15,706	18,436
BALANCE, AT END OF YEAR	$ 10,038	$ 15,706

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1985 AND 1984

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles, except for the accounting for pension costs as set out in Note 10. The system of accounts and practices are similar to those used by other Telecom Canada members.

(b) Basis of Presentation

The investment in the wholly-owned subsidiary, MTX Telecom Services Inc., has been accounted for by the equity method (see Note 11) as presenting consolidated financial statements of The Manitoba Telephone System (the "System") would not provide the most informative presentation.

(c) Telecommunications Property

Telecommunications Property is recorded at original cost including materials, direct labour and overhead costs which vary with the level of construction. In addition, The Manitoba Telephone System (the "System") includes the cost of funds used to finance the construction, based on the duration of the projects.

(d) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of telecommunications property by applying rates which are based on a continuing program of engineering studies.

When depreciable telephone property is retired, the original cost of such property, adjusted by any disposal proceeds and costs of removal, is charged to accumulated depreciation.

(e) Translation of Foreign Currencies

Foreign currencies have been translated into Canadian funds at rates of exchange on the following basis:

i) long term debt at rates prevailing at year end;

ii) accrued interest at rates prevailing at year end;

iii) debt charges at rates prevailing at the date of each transaction.

The unrealized loss resulting from the policy of using rates prevailing at March 31 is being amortized over the remaining term of the debt.

(f) Deferred Employee Benefits

Deferred employee benefits represents a sick leave vesting (SLV) plan and pension provisions as outlined in note 10. The initial cost of the SLV plan, which became effective June 1, 1977, is being amortized on a straight-line basis over fifteen years. The annual sick leave entitlements subsequent to June 1, 1977 are being accrued and charged to expense in the year to which they relate. Payments to employees on termination are being charged to the deferred liability.

2. MISCELLANEOUS OPERATING REVENUE

	1985	1984
	(in thousands of dollars)	
Miscellaneous operating revenue includes:		
Directory advertising	$16,899	$15,107
Rentals and attachments	5,041	4,724
Other	2,163	1,007
	$24,103	$20,838

3. OPERATING TAXES

This category represents grants to municipalities in lieu of property taxes, the System's portion of Canada Pension Plan and Unemployment Insurance, the Health and Education Levy and general levies.

4. OTHER REVENUES

	1985	1984
	(in thousands of dollars)	
This group of revenue includes:		
Interest earned on investments	$10,451	$10,460
Surcharge on overdue accounts	1,311	1,266
Interest charged to construction	1,196	1,422
Net recoveries from foreign contracts	118	258
Miscellaneous, net	2,207	2,103
	$15,283	$15,509

5. DEBT CHARGES

	1985	1984
	(in thousands of dollars)	
Debt charges includes:		
Interest on long-term debt	$59,101	$57,570
Amortization of unrealized foreign currency losses	92	4,622
Amortization of long-term debt expenses	728	777
Other interest expense and debt charges	1,057	1,165
	$60,978	$64,134

6. INVESTMENTS

	1985	1984
	(in thousands of dollars)	
MTX Telecom Services Inc. (See Note 11)	$ 8,056	$ 3,090
Telesat Canada 99,900 common shares, at cost	999	999
	$ 9,055	$ 4,089

7. INVESTMENT FUND

During the year the Board of Commissioners approved contributions to the fund of $14,778,000 and withdrawls from the fund of $1,529,000. The fund is comprised of short-term investments held in trust by the Minister of Finance of the Province of Manitoba. Interest on the fund is recorded as income in the period it is earned.

8. LONG TERM DEBT

	1985			1984
	Outstanding at rates prevailing March 31, 1985	Foreign exchange adjustment Note 1(e)	Outstanding at rates prevailing when debt incurred	Outstanding at rates prevailing when debt incurred
	(in thousands of dollars)			
Province of Manitoba Advances				
Series 10E, 9¼%, due December 9, 1985 (26.3 million Units of Account)	$ 29,774	$(3,486)	$ 33,260	$ 33,419
Series 10J, 8 3/5%, due February 28, 1987 (7.3 billion Japanese Yen)	39,866	12,786	27,080	30,947
Series 11M, 13¼%, due October 13, 1987	65,000	—	65,000	65,000
Series 10V, 9 3/4%, due December 1, 1988	25,000	—	25,000	25,000
Series 11E, 14 3/4%, due July 1, 1991 (40.0 million U.S. Dollars)	54,680	6,718	47,962	47,962
Series 11J, 15¼%, due March 31, 1992	40,000	—	40,000	40,000
Series 10T, 9 3/4%, due May 15, 1998	12,090	—	12,090	12,090
Series 11A, 10¼%, due August 1, 1999	5,000	—	5,000	20,000
Series 9X, 10%, due December 5, 1999	10,000	—	10,000	10,000
Series AD, 10 2/5%, due May 15, 1986	65,000	—	65,000	65,000
	346,410	16,018	330,392	349,418
Bonds Payable				
Debentures issued by the System fully guaranteed by the Province				
Series 1D, 5¼%, due December 1, 1984	$ —	$ —	$ —	$ 12,000
Series 1C, 5½%, due December 2, 1986	12,500	—	12,500	12,500
Series 1J, 7 3/4%, due February 15, 1989	10	—	10	10
Series 1M, 8%, due September 15, 1989	108	—	108	108
Series 1E, 5%, due January 15, 1991 (14.5 million U.S. Dollars)	19,822	4,242	15,580	15,580
Series 1N, 7 7/8%, due November 15, 1991	20,000	—	20,000	20,000
Series 1F, 6¼%, due December 1, 1991	20,000	—	20,000	20,000
Series 1Q, 6½%, due January 3, 1992 (80.0 million Swiss Francs)	42,065	17,025	25,040	25,040
Series 1G, 7%, due February 16, 1993	20,000	—	20,000	20,000
Series 1P, 7 7/8%, due March 15, 1993	10,000	—	10,000	10,000
Series 1T, 10%, due July 2, 1995	10,000	—	10,000	10,000
Series 1U, 10½%, due May 1, 1996	20,000	—	20,000	20,000
Series 1S, 8 3/4%, due March 1, 1999	37,000	—	37,000	37,000
	211,505	21,267	190,238	202,238
	$557,915	$37,285	$520,630	551,656
Foreign Exchange Adjustment				46,206
Outstanding at Rates Prevailing March 31, 1984				$597,862

LONG-TERM DEBT (continued)

For Series 10E, both annual interest and principal on maturity are payable in a currency of exchange at the choice of the holder.

Under the requirements of The Manitoba Telephone Act, the System is required to pay to the Minister of Finance of the Province of Manitoba, as trustee for the sinking fund, an amount which is not less than 1% of the long-term debt outstanding at the end of the preceding fiscal year and 4% of the sinking fund balance at the end of the preceding fiscal year. The market value of the investments held in the fund at March 31, 1985 is $37,817,000 (1984 - $36,431,000).

If the System incurs no new long-term debt and assuming exchange rates at March 31, 1985 remain unchanged, the following payments will be required to meet sinking fund conditions and debt retirements:

Year Ending March 31	Sinking Fund Payments	Debt Retirement
	(in thousands of dollars)	
1986	$7,552	$ 40,257
1987	7,452	103,844
1988	6,711	68,130
1989	6,299	48,140
1990	6,069	108

9. COMMITMENTS

Purchase Commitments —

Commitments at March 31, 1985, relating principally to the purchase of equipment for future delivery and uncompleted contracts, were approximately $27,540,000.

Lease Commitments —

The Manitoba Telephone System rents buildings and construction and other equipment under operating leases. The aggregate annual rental of the commitments under the leases, which expire at varying dates to March 31, 1990, are:

1986	$2,162,000
1987	1,037,000
1988	918,000
1989	588,000
1990	78,000

10. PENSION

Employees of the System are pensionable under the Civil Service Superannuation Fund and make contributions at prescribed rates. The System is required to pay 50% of the Fund's pension disbursements made to retired employees. The payments are charged to general and administration expenses as incurred.

An actuarial evaluation of the Fund was conducted as at December 31, 1983. The results of the evaluation indicate that at the date of review the Fund was in a sound financial position.

According to the formula contained in the report issued after the evaluation, the liability which the System had at December 31, 1984 was:

(a) if no allowance is made for future increases in pension due to increases in the cost of living, $111,363,000.

(b) if allowance is made for future increases in pension due to increases in the cost of living, $165,339,000.

During the fiscal year ended March 31, 1984, a $5,000,000 provision was made to recognize the System's liability as a result of implementing an early retirement program and from legislated changes to the Pension Benefits Act. This provision was augmented by $14,685,000 for the year ended March 31, 1985. The increase, included in general and administration operating expense, represents additional provision for legislative changes to the Pension Benefits Act and a partial recording of the increased liability accrued during the year.

The total of $19,685,000 has been included in contributions made to the Investment Fund.

11. MTX TELECOM SERVICES INC.

MTX Telecom Services Inc.("MTX"), a wholly-owned subsidiary, was incorporated on January 15, 1982 for the purpose of marketing telecommunications equipment and services primarily outside of Manitoba.

(a) The System's investment in MTX is represented as follows:

	1985	1984
	(in thousands of dollars)	
60,001 Common shares, at cost	$1,500	$1,500
Net operating advances	1,195	1,563
Notes receivable	5,585	—
Surplus (Deficit)	(224)	27
	$8,056	$3,090

Following is a brief summary of the financial statements of MTX Telecom Services Inc. for the years ended March 31, 1985 and 1984.

	1985	1984
	(in thousands of dollars)	
Sales	$8,808	$6,580
Cost of sales	8,637	5,935
Gross profit	171	645
Operating expense	369	326
Operating income (loss)	(198)	319
Foreign exchange transaction gains	116	—
Interest expense, net	(56)	(57)
Income (loss) from operations	(138)	262
Loss from investment	(113)	—
Net income (loss)	$ (251)	$ 262
Total assets	$9,011	$3,934
Total liabilities	7,735	2,407
Shareholder's Equity	$1,276	$1,527

Included in total assets of $9,011,000 at March 31, 1985 is an investment of $680,887, representing MTX's 50% ownership in a Saudi Arabia limited liability company, Saudi Arabia Datacom Ltd. ("SADL"). The remaining 50% ownership is held by a Saudi Arabia Company. Total assets also include receivables of $7,360,000 from certain divisions of the 50% Saudi Arabia shareholder ($2,306,000 in 1984). MTX accounts for its investment in SADL on the equity method.

The recoverability by MTX of the investment in SADL and the related trade receivables described above is uncertain at this time. The recovery of these assets is dependent upon the success of future operations of SADL and certain related divisions of the 50% Saudi Arabia shareholder. Accordingly, the realization of the System's investment in MTX is also uncertain at this time.

(b) MTX collects accounts receivable due from its Saudi Arabia major customers (divisions of SADL's 50% Saudi Arabia shareholder) through the issue of bank drafts. These customers are responsible for repayment of the drafts, plus interest, at maturity. The term of the drafts vary up to periods of 24 months. In connection with these drafts, MTX has provided a guarantee to the banks to a maximum of $3,000,000 in the event of default by these customers. This guarantee is in turn supported by a letter of comfort of up to $3,000,000 provided by the Manitoba Telephone System.

Bank drafts outstanding, including interest, are $5,213,948 as of March 31, 1985.

(c) An agreement is in force between the shareholders of SADL which contains provisions that certain management fees representing various administrative and other related services be charged by SADL to a division of the 50% Saudi Arabia shareholder. The loss from investment recorded by MTX is after management fees of $1,132,000 and $746,000 in 1985 and 1984, respectively.

(d) During the years ending March 31, 1985 and 1984, there were the following intercompany transactions.

	1985	1984
	(in thousands of dollars)	
1. Administration fee charged by the System for rent, accounting and other administration services	$ 144	$ 128
2. Sales of surplus equipment, and support staff provided to MTX Telecom Services Inc. by the System	$1,018	$1,065
3. Purchases of new equipment by the System from MTX Telecom Services Inc.	$ 37	$ 840
4. Balance owing to MTX Telecom Services Inc. at March 31, included in accounts payable and accrued liabilities	$ —	$ 103
5. Interest charged by the System on notes and advances to MTX Telecom Services Inc.	$ 545	$ 68

12. SUBSEQUENT EVENT

The Manitoba Telephone System has approved a further investment in MTX of 340,000 shares at $25 per share amounting to $8,500,000. This investment will be used to finance future MTX projects.

13. 1984 FINANCIAL STATEMENTS

The 1984 figures have been reclassified where necessary to conform to the 1985 presentation. In addition, the 1984 statements of sources of funds used for construction has been restructured to be in accordance with the new format presented in 1985 entitled statement of changes in cash position.

14. STATEMENTS OF CHANGES IN CASH POSITION

Cash was provided (used) by changes in working capital as follows:

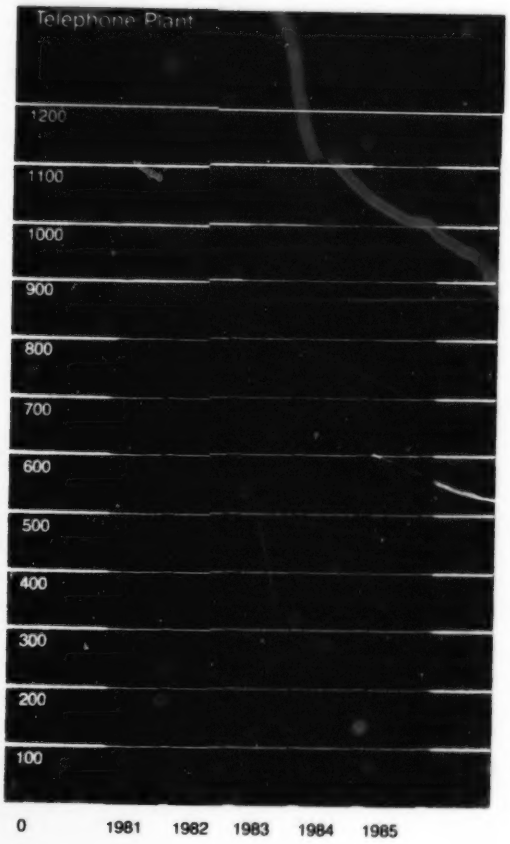
	1985	1984
	(in thousands of dollars)	
(Increase)/Decrease in Current Assets:		
Accounts receivable	$(4,970)	$ (958)
Prepayments	(91)	1,596
Increase/(Decrease) in Current Liabilities:		
Accounts payable and accrued liabilities	18,992	1,917
Advance billings and payments	383	296
Accrued interest	(466)	4,139
	$13,848	$6,990

THE MANITOBA TELEPHONE SYSTEM

FIVE YEARS IN REVIEW

FOR THE YEAR ENDED MARCH 31

STATEMENT OF OPERATIONS (Thousands of dollars)	[illegible]	1984	1983	1982	1981
Total operating revenues	$ [illegible]	$ 294,248	$262,268	$244,554	$221,073
Total operating expenses	[illegible]	243,496	214,728	196,807	164,616
Other revenues	[illegible]	15,509	14,273	11,832	8,767
Debt charges	[illegible]	64,134	58,306	53,397	51,775
Net revenues	[illegible]	2,127	3,507	6,182	13,449
BALANCE SHEET (Thousands of Dollars)					
Telephone plant	[illegible]	$1,037,519	$977,610	$879,863	$793,034
Accumulated depreciation	[illegible]	429,271	375,362	313,908	263,376
Investment and sinking funds	[illegible]	83,015	80,465	70,546	66,160
Government advances	[illegible]	370,403	365,121	310,833	271,830
Bonds payable	[illegible]	227,459	241,902	245,266	263,435
Construction expenditures	[illegible]	91,400	111,131	103,692	82,741
Reinvested earnings	[illegible]	100,510	98,383	94,876	88,694
TELEPHONE STATISTICS					
Plant investment per main telephone	$ [illegible]	$ 2,200	$ 2,138	$ 1,962	$ 1,814
Main Sets in Service					
Business	[illegible]	88,305	81,336	80,486	77,593
Residence	[illegible]	383,507	375,812	367,991	359,695
Total	[illegible]	471,892	457,148	448,477	437,288
Percent dial	[illegible]	100.0	100.0	100.0	100.0
Main Telephones added during year	[illegible]	14,744	8,671	11,189	10,181
Average daily local calls (in thousands)	[illegible]	4,224	3,908	3,820	3,675
Average daily long distance calls (in thousands)	[illegible]	201	190	182	166
OTHER STATISTICS					
Salaries and wages (in thousands)	$ [illegible]	$ 122,049	$114,549	$105,456	$ 91,201
Number of employees	[illegible]	4,537	4,499	4,636	4,677
Employees per thousand main telephones	[illegible]	9.6	9.8	10.3	10.7
Long-term debt percentage of total invested capital	[illegible]	84.2	84.7	84.0	83.9
Debt charge coverage ratio	[illegible]	1.0	1.1	1.1	1.3
Effective average debt rate	[illegible]	10.6	9.9	9.5	9.5


Telephone Plant
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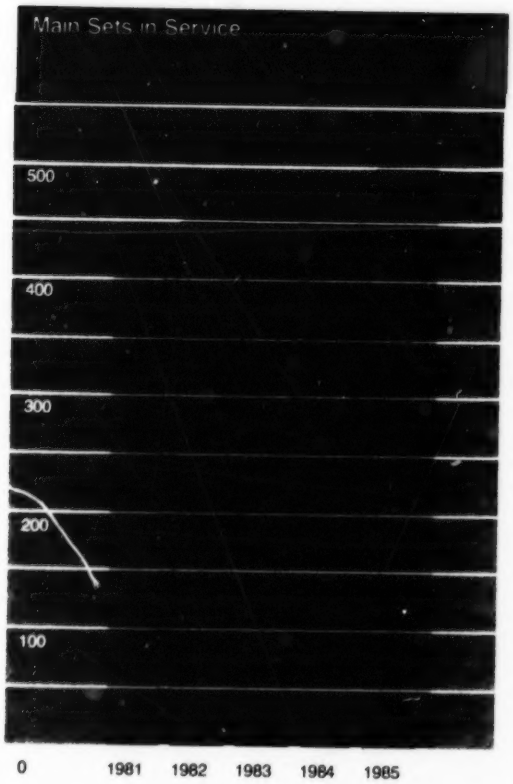
Main Sets in Service
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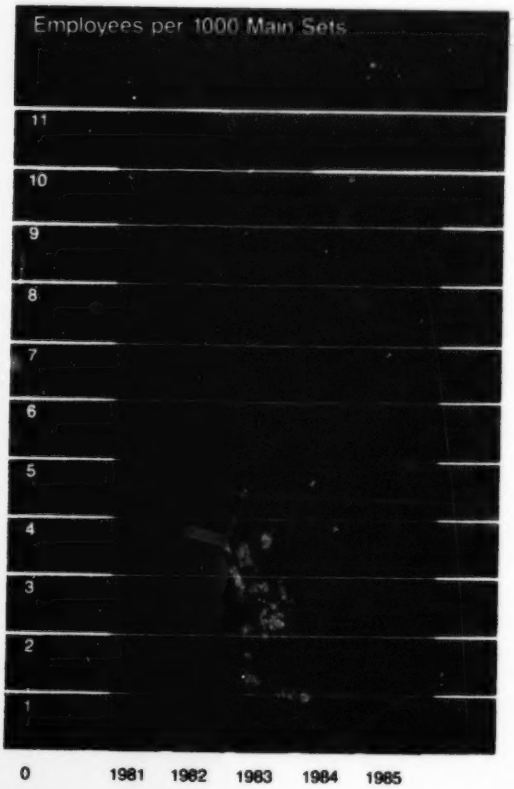
Employees per 1000 Main Sets
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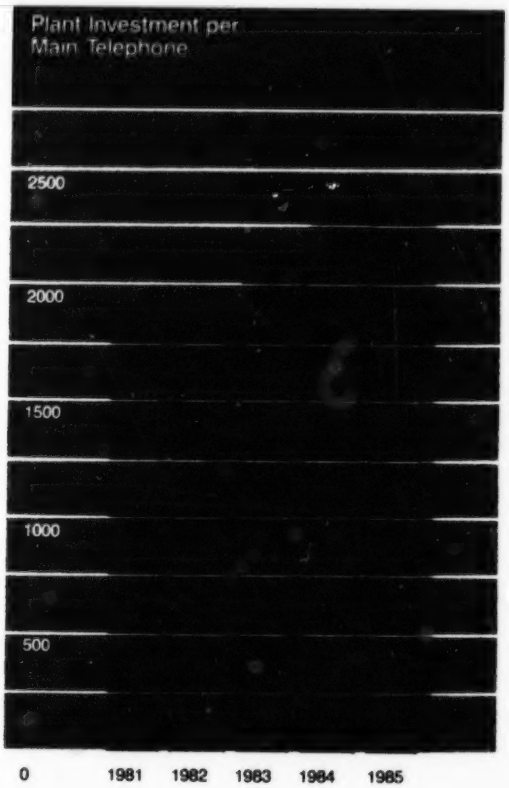
5
4
3
2
1
0
1981
1982
1983
1984
1985


Plant Investment per Main Telephone
2500
2000
1500
1000
500
0
1981
1982
1983
1984
1985

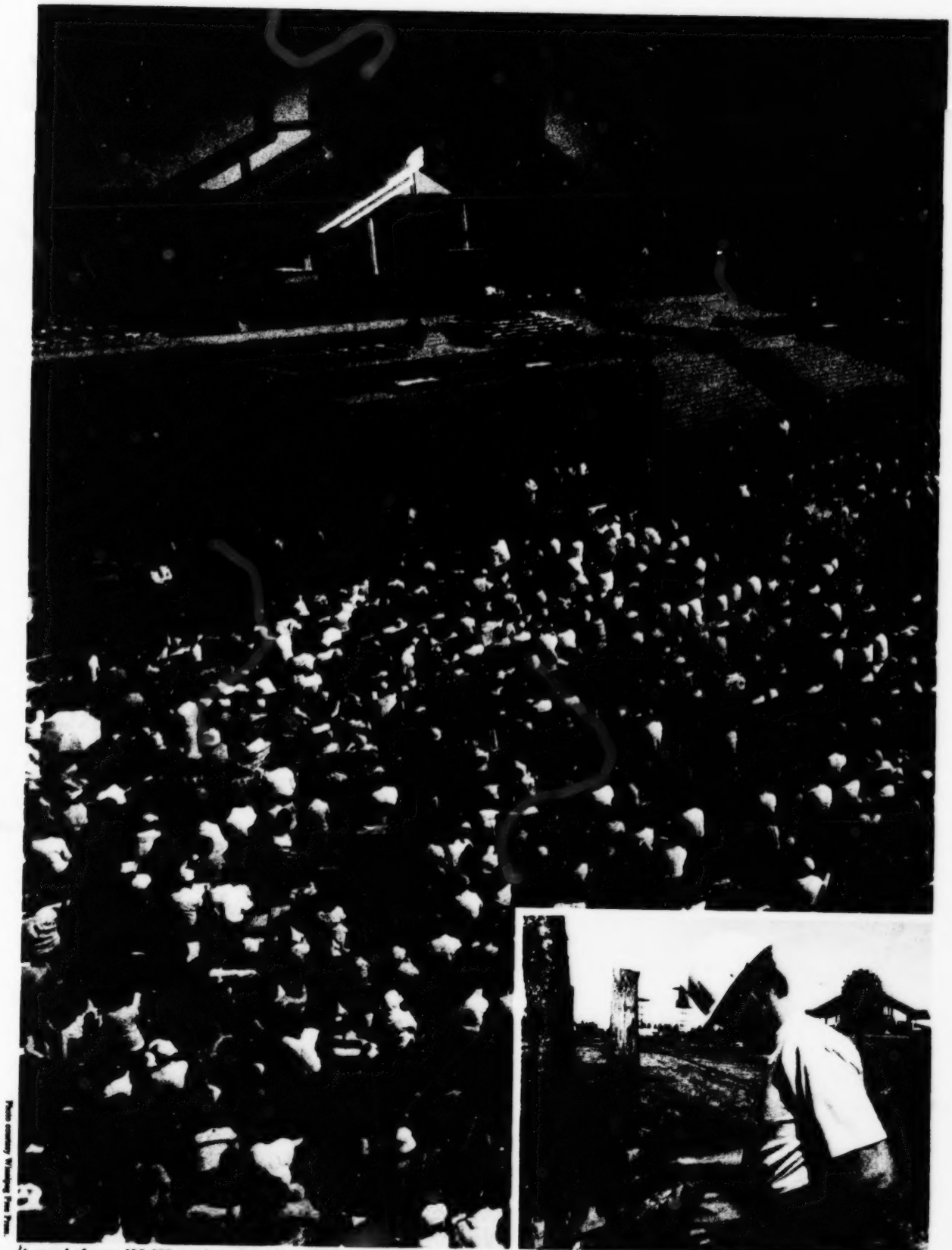


Photo courtesy Winnipeg Free Press

A crowd of some 125,000 people turned out to participate in a mass at Birds Hill Park during the Papal Visit on September 16, 1984. MTS played a major role in setting up communication facilities for the event.

Installer Jean-Paul Fillion, Plant Department, makes the necessary connections for communication facilities at Birds Hill Park.